

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/3/05

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2004

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

Independent Auditor's Report

BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

I have audited the accompanying financial statements of the business-type activities of Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of December 31, 2004, and for the year then ended, which comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the district's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

I was unable to obtain adequate supporting documentation for expenses totaling \$8,721, which are included in the accompanying financial statements.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to examine adequate supporting documentation for those expenses referred to above, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the business-type activities of Prairie Road Water District, as of December 31, 2004, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Independent Auditor's Report
December 31, 2004

The management's discussion and analysis on pages 5 through 7, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Prairie Road Water District's basic financial statements. The Schedule of Compensation Paid Commissioners and the Status of Prior Audit Findings listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 6, 2005, on my consideration of Prairie Road Water District's internal control over financial reporting and on my tests of the district's compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Calhoun, Louisiana
July 6, 2005

REQUIRED SUPPLEMENTAL INFORMATION

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2004

Our discussion and analysis of Prairie Road Water District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the District's financial statements that begin on page 9.

BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- a. Management's discussion and analysis (MD&A)
- b. Statement of net assets
- c. Statement of revenues, expenses, and changes in net assets
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The Prairie Road Water District is a special-purpose government engaged only in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and the changes in them. Net assets - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2004

**COMPARATIVE ANALYSIS OF
FINANCIAL DATA**

The District's total net assets decreased by \$71,763 during 2004. Operating revenues remained fairly constant from prior year amount. Operating expenses increased \$69,449 due to the fact that during 2004 we incurred many unexpected expenses; two major problems at one of our wells, the purchase of additional property and the new office and the expenses with setting up the new office. We hired additional temporary help to move our office, files, furniture and our stored records and plumbing supplies. We remodeled our newly purchased office to suit our needs for daily operation. Our manager, Mrs. Cannon, handled all the business with the La. Bond Commission for the purchase of the new office and property. This in addition to keeping our office open and operational during the renovation and moving. There was a great amount of time and travel involved. We were notified by Ouachita Parish Highway Department that a bridge in our system was going to be replaced. This involved a re-alignment of the existing roadbed, which caused Prairie Road Water District to have to relocate our lines, and make a new canal crossing. We also had to replace our main computer system in its entirety. We had to have a technician work on revamping the system to make other computers compatible. The district's restricted assets decreased \$70,306 due to the district closing out reserve accounts that were no longer required. The following presents an analysis of net assets and changes in net assets of the District's business-type activities:

	BUSINESS-TYPE ACTIVITIES	
	2004	2003
Assets		
Current assets	\$66,833	\$61,501
Restricted assets		70,306
Capital assets	<u>258,427</u>	<u>148,211</u>
Total assets	<u>325,260</u>	<u>280,018</u>
Liabilities		
Current liabilities	58,363	29,358
Long-term liabilities	<u>258,000</u>	<u>170,000</u>
Total liabilities	<u>316,363</u>	<u>199,358</u>
Net Assets		
Invested in capital assets, net of related debt	(31,573)	(31,789)
Restricted for debt service		70,306
Unrestricted	<u>40,470</u>	<u>42,143</u>
Total net assets	<u>8,897</u>	<u>80,660</u>

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2004

	BUSINESS-TYPE ACTIVITIES	
	<u>2004</u>	<u>2003</u>
Operating revenues	\$253,736	\$253,820
Operating expenses	312,310	242,861
Non-operating revenues (expenses)	(13,189)	(12,496)
Change in net assets	(71,763)	(1,537)
Net assets - beginning	<u>80,660</u>	<u>82,197</u>
Net assets - ending	<u>\$8,897</u>	<u>\$80,660</u>

OVERALL FINANCIAL POSITION

The District's net loss for the year was \$71,763. Unrestricted net assets (those assets available to finance the daily operations of the district) were \$40,470 at year end. The amount invested in capital assets, net of related debt was (\$31,573) at year end.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$258,427. Capital assets include the water system, buildings, and vehicles and equipment, costing \$1,000 or more. The District purchased an office building costing \$114,965 during 2004. The district also incurred additional costs of \$19,220 to make improvements to the building. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year end the District had \$290,000 in outstanding long-term debt. The district issued certificates of indebtedness in the amount of \$120,000 during 2004 to pay for the cost of the office building. Interest expense for the year was \$13,191. Additional information about the District's debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The cost of our operation has increased because of increases in all aspects of our operation. We have now voted on a rate increase to take effect September 2005 billing period. The last rate increase for the system was March 1991.

BASIC FINANCIAL STATEMENTS

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATEMENT OF NET ASSETS
December 31, 2004

ASSETS**Current assets:**

Cash	\$42,709
Accounts receivable - water sales (net)	18,978
Inventory	<u>5,146</u>
Total current assets	<u>66,833</u>

Noncurrent assets:

Property, plant and equipment (net of accumulated depreciation)	<u>258,427</u>
Total assets	<u>325,260</u>

LIABILITIES**Current liabilities:**

Accounts payable	5,488
Payroll taxes payable	3,880
Accrued interest payable	5,063
Current portion of long-term debt	32,000
Customer deposits	<u>11,932</u>
Total current liabilities	<u>58,363</u>

Noncurrent liabilities - long-term debt:

Revenue bonds payable	158,000
Loans payable	<u>100,000</u>
Total noncurrent liabilities	<u>258,000</u>
Total liabilities	<u>316,363</u>

NET ASSETS

Invested in capital assets, net of related debt	(31,573)
Unrestricted	<u>40,470</u>
Total net assets	<u>\$8,897</u>

The accompanying notes are an integral part of this statement.

Statement B**PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana****STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
For the Year Ended December 31, 2004****OPERATING REVENUES**

Water sales	\$237,820
Connection and reconnection fees	4,256
Late charges	4,621
Other revenue	<u>7,039</u>
Total operating revenues	<u>253,736</u>

OPERATING EXPENSES

Contract labor	1,081
Chlorine and chemicals	7,695
Commissioners fees	525
Depreciation	23,969
Equipment rental	4,579
Gas and oil	3,091
Insurance	20,622
Maintenance and repairs	40,199
Office supplies and expense	12,295
Payroll taxes	9,484
Postage	6,178
Professional fees	9,235
Salaries and wages	117,114
Supplies and parts	23,988
Travel	4,561
Utilities, telephone and pager	26,537
Other operating expenses	<u>1,157</u>
Total operating expenses	<u>312,310</u>

OPERATING INCOME (Loss) (58,574)

NON-OPERATING REVENUES (EXPENSES)

Interest income	2
Interest expense	<u>(13,191)</u>
Total non-operating revenues (expenses)	<u>(13,189)</u>

CHANGE IN NET ASSETS (71,763)

NET ASSETS - BEGINNING 80,660

NET ASSETS - ENDING \$8,897

The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$250,193
Customer deposit receipts, net	673
Payments to suppliers	(158,626)
Payments to employees, laborers, and commissioners	<u>(123,362)</u>
Net cash provided by operating activities	<u>(31,122)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid on capital debt	(8,972)
Principal paid on capital debt	(10,000)
Loan proceeds	120,000
Purchase of building and improvements	(134,185)
Decrease in restricted cash	<u>70,306</u>
Net cash provided by capital and related financing activities	<u>37,149</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>2</u>
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NET INCREASE IN CASH

6,029

CASH AT BEGINNING OF YEAR36,680**CASH AT END OF YEAR**\$42,709**Reconciliation of Operating Income to Net Cash****Provided by Operating Activities**

Operating Income (Loss)	<u>(\$58,574)</u>
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Adjustments:

Depreciation	23,969
Increase in accounts receivable	(646)
Decrease in inventory	1,343
Increase in accounts payable	1,969
Increase in taxes payable	144
Increase in customer deposits	<u>673</u>
Total adjustments	<u>27,452</u>

Net cash provided by operating activities	<u>(\$31,122)</u>
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The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

INTRODUCTION

Prairie Road Water District was created by the Ouachita Parish Police Jury on May 8, 1972, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board appointed by the police jury to serve indefinite terms of office. Prairie Road Water District commissioners are entitled to \$50 for each meeting if they meet every other month, \$25 for each regular monthly meeting and \$25 for each special board meeting they attend. The district has three full-time employees and four part-time employees. The district serves approximately 800 customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Prairie Road Water District is considered a component unit of the Ouachita Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

1. Management's discussion and analysis (MD&A)
2. Statement of net assets
3. Statement of revenues, expenses, and changes in net assets
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

The Prairie Road Water District is a special-purpose government engaged only in business-type activities.

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Prairie Road Water District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the Prairie Road Water District are water sales, connection and reconnection fees, late charges, and other miscellaneous operating revenues. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits

Cash includes petty cash and amounts in non-interest-bearing demand deposits. State law and the district's investment policy allows the district to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. Receivables

Receivables for water sales are generally shown net of an allowance for uncollectible amounts. The financial statements contain no provision for uncollectible accounts because the district is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole.

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

E. Inventory

Inventories consist of parts and supplies, valued at cost, using the first-in, first-out-method. Inventories are recorded using the "purchase method" whereby supplies are charged as expenses when acquired. Inventory on hand at the end of the year is reported as an asset.

F. Capital Assets

Capital assets, which include the water system, buildings, and vehicles and equipment are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The Prairie Road Water District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - Water system	25 years
Buildings	25 years
Vehicles and equipment	5 years

G. Compensated Absences

The district's full-time employees earn from 5 to 15 days of vacation leave per year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time employees earn 5 days of sick leave per year after 90 days continuous employment. Sick leave may not be accumulated. In addition, full-time employees earn 1 fun day per calendar year, after 90 days continuous employment.

H. Long-term Obligations

Long-term debt such as revenue bonds payable and loans payable are reported as liabilities on the statement of net assets.

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2004, the district has cash (book balances) as follows:

Petty cash	\$1,000
Non-interest bearing checking accounts	<u>41,709</u>
Total	<u>\$42,709</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2004, the Prairie Road Water District has \$51,336 in deposits (collected bank balances). These deposits are secured from risk by \$51,336 of federal deposit insurance.

3. ACCOUNTS RECEIVABLE

At December 31, 2004, the district has net receivables of \$18,978 as follows:

Water sales	\$18,978
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u>\$18,978</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2004, is as follows:

	Balance at January 1, 2004	Increases	Decreases	Balance at December 31, 2004
Capital assets being depreciated:				
Water system	\$813,268			\$813,268

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

	Balance at January 1, 2004	Increases	Decreases	Balance at December 31, 2004
Buildings	\$38,568	\$134,185		\$172,753
Vehicles and equipment	28,616			28,616
Total capital assets being depreciated	880,452	134,185	NONE	1,014,637
Less accumulated depreciation for:				
Water system	680,772	19,314		700,086
Buildings	24,942	4,215		29,157
Vehicles and equipment	26,527	440		26,967
Total accumulated depreciation	732,241	23,969	NONE	756,210
Total assets being depreciated, net	\$148,211	\$110,216	NONE	\$258,427

Depreciation expense of \$23,969 for the year ended December 31, 2004 was reported on the statement of revenues, expenses, and changes in net assets.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions for the year ended December 31, 2004:

	Revenue Bonds	Certificate of Indebtedness	Total
Revenue bonds payable at January 1, 2004	\$180,000	NONE	\$180,000
Additions	NONE	120,000	120,000
Reductions	NONE	(10,000)	(10,000)
Revenue bonds payable at December 31, 2004	\$180,000	\$110,000	\$290,000

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2004:

Current portion	\$32,000
Long-term portion	258,000
Total	\$290,000

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

All outstanding debt at December 31, 2004, in the amount of \$290,000 is revenue bonds payable and certificates of indebtedness with maturities from 2005 until 2013 and an interest rates from 3% to 5.625%. Loan principal and interest payable in the next fiscal year are \$32,000 and \$14,363, respectively. The individual debt is as follows:

	<u>\$325,000 Bonds</u>	<u>\$120,000 Certificates of Indebtedness</u>
Original issue date	12/01/72	02/25/04
Interest rate	5.625%	3% to 5%
Final payment due	12/1/12	12/1/013
Interest to maturity	\$52,258	\$28,200
Principal outstanding	\$180,000	\$110,000
Funding source	Water revenue	Water revenue

All outstanding debt is due as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$32,000	\$14,363	\$46,363
2006	22,000	13,388	35,388
2007	25,000	12,413	37,413
2008	25,000	11,169	36,169
2009	30,000	9,925	39,925
2010 - 2013	<u>156,000</u>	<u>19,200</u>	<u>175,200</u>
Total	<u>\$290,000</u>	<u>\$80,458</u>	<u>\$370,458</u>

6. RISK MANAGEMENT

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

7. SUBSEQUENT EVENTS

The Ouachita Parish Sheriff is currently conducting an investigation of operations of the Prairie Road Water District. The effect on the financial statements for the year ended December 31, 2004, that may result from this investigation, can not be determined at this time.

SUPPLEMENTAL INFORMATION SCHEDULES

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2004

COMPENSATION PAID COMMISSIONERS

The schedule of compensation paid to commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, the commissioners receive \$25 for each regular board meeting they attend if the board meets monthly. If the board meets every other month, the commissioners are paid \$50 for each meeting they attend. If a special meeting is called the commissioners are paid \$25 for each special board meeting they attend.

PRIOR AUDIT FINDINGS

The follow-up and corrective action taken on all prior audit findings is presented in Schedule 2.

Schedule 1

**PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana**

**SCHEDULE OF COMPENSATION PAID COMMISSIONERS
For the Year Ended December 31, 2004**

Dorth Blade	\$125
Ruby Blade	50
James Johnson	50
Tommy Price	125
Talmadge Stutts	<u>175</u>
Total	<u>\$525</u>

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2004

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
2003-1	2003	Need to Complete Audit Within Time Frame Mandated by State Law	No	See current year findings.

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Auditor's Report on
Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana**

I have audited the financial statements of the business-type activities of Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of December 31, 2004, and for the year then ended, which comprise the Prairie Road Water District's basic financial statements and have issued my report thereon dated July 6, 2005. The report on the business-type activities was qualified because I was unable to obtain adequate supporting documentation for expenses totaling \$8,721. Except as discussed in the preceding sentence, I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Prairie Road Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Prairie Road Water District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-1 and 2004-2.

**BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT**

Monroe, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2004

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider both items to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prairie Road Water District's financial statements are free of material misstatement, I performed tests of the district's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-3, 2004-4, and 2004-5.

This report is intended solely for the information of the board of commissioners and management of Prairie Road Water District, and other interested state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.



Calhoun, Louisiana
July 6, 2005

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

**CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN**
For the Year Ended December 31, 2004

I have audited the financial statements of the business-type activities of Prairie Road Water District, as of and for the year ended December 31, 2004, and have issued my report thereon dated July 6, 2005. Except as discussed in the last sentence of this paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. The report on the business-type activities was qualified because I was unable to obtain adequate supporting documentation for expenses totaling \$8,721.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness ☒ Yes ☐ No

Reportable Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statement ☒ Yes ☐ No

Section II - Financial Statement Findings

2004-1. Need to Improve Controls Over Cash Disbursements

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations.

Condition: The following deficiencies were noted during my test of cash disbursements:

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Monroe, Louisiana
Schedule of Findings
For the Year Ended December 31, 2004

1. Approximately \$24,327 of expenses charged to supplies and parts, postage, maintenance and repairs, and office supplies and expense, were paid from petty cash. I examined a total of 14 checks made payable to Petty Cash totaling \$8,721 that were not supported by sufficient documentation to determine if the transactions were for authorized expenditures of the district. More than half of the individual receipts that served as documentation for the examined disbursements appeared to have been altered or did not provide sufficient detail to determine if the transactions were authorized.
2. In performing my test of travel expenses, I determined that an employee was reimbursed for mileage on 16 different days for which the employee's timesheet reported that the employee was absent from work due to illness, vacation, or holiday.
3. In performing my test of expenses, I noted that 2 out of 25 checks (7%) examined did not agree to the total of the supporting documentation and that 2 out of 25 check amounts did not agree to the amount posted in the accounting records.

Effect: The failure to establish and adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations.

Recommendation: I recommend that a member of the board of commissioners review and approve all supporting documentation before signing checks. The board member should indicate his approval of the supporting documentation by signing the documentation. Expenses paid from petty cash should be kept to a minimum. Purchases for gas and supplies should be made at businesses that allow the district to have charge accounts. In the event that it is necessary to use petty cash, the reimbursement should be supported by original, dated receipts that clearly indicate what has been purchased and signed by the person making the purchase. The board member responsible for signing checks should review the documentation for mileage reimbursements and determine that there are no discrepancies between the travel documentation and the employees' timesheets.

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For the Year Ended December 31, 2004

Management's Response: We will stop the use of petty cash and pay all bills with checks. No more checks will be pre-signed. All bills, payroll and additional business will be monitored and inspected by Tommy Price, President of the Board.

2004-2. Need to Improve Controls Over Payroll Expenses

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations.

Condition: The following were noted during my test of payroll expense:

1. Total payroll costs which include salaries, payroll taxes, and group insurance increased \$14,955 from the prior year amount and is approximately 59% of water sales revenue. This ratio of salaries to water sales revenue increased from 51% in 2003. Four employees were paid for a total of 1,255 hours of overtime during 2004 and one employee earned 71 hours of compensatory time for overtime hours worked. The total cost of the overtime hours that were paid was \$22,941. 311 of the overtime hours were earned by employees for checking the office and wells on weekends and holidays. Two employees were both paid for checking wells on the same day for 7 different weeks. One employee was paid 22 hours overtime in a two week period in which he only actually worked 12 ½ hours. One employee was compensated for a total of 44 hours overtime in one week.
2. The signatures on one employee's timesheets did not match indicating that someone other than the employee signed the timesheets.

Effect: The failure to establish and adhere to internal controls over payroll expenses could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Schedule of Findings
For the Year Ended December 31, 2004

Recommendation: The board should immediately review its policies concerning when employees are to work and be compensated for overtime hours and should formally adopt a policy that is in compliance with applicable laws and regulations. The board should determine the most cost efficient way to monitor its operations after hours and on weekends and holidays. A member of the board of commissioners should review and approve employees' timesheets before signing payroll checks. All timesheets should be signed by the employee.

Management's Response: There will be no more overtime. Overtime will only be allowed when it is signed off on or approved by the Board.

2004-3 Prohibited Contractual Arrangement

Criteria: Louisiana Revised Statute 42:1113 prohibits the district's employees or immediate family members of its employees from entering into any transaction with the district.

Condition: During the year ended December 31, 2004, the district paid the husband of an employee as a contract laborer. This payment was later reimbursed to the district from an outside party.

Effect: Not determined.

Recommendation: I recommend that the district not enter into any transactions with its employees or their immediate family members.

Management's Response: The board was unaware that family members could not work for Prairie Road Water District. In the future, this practice will not happen.

2004-4 Nepotism

Criteria: Louisiana Revised Statute 42:1119 provides that no member of the immediate family of an agency head be employed by the agency. Agency head is defined as an administrative officer or a member of the board who exercises supervision at the agency.

PRAIRIE ROAD WATER DISTRICT
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Condition: During the year ended December 31, 2004, the son, daughter-in-law, and sister of the office manager of the district was employed by the district. Two of the three employees have been employed by the district on a part-time basis for several years. One of the family members was hired in 2004. There was no indication in the minutes of the board members meeting that the board approved the hiring or approved the employee's rate of pay.

Effect: Not determined.

Recommendation: I recommend that the district consult with their legal counsel on what action to take concerning the employees who are immediate family members of the office manager. I recommend that in the future, that no family members of employees be hired by the district.

Management's Response: The board was unaware that family members could not work for Prairie Road Water District. In the future, this practice will not happen.

**2004-5 Need to Complete Audit Within
Time Frame Mandated by State Law**

Criteria: Louisiana Revised Statute 24:513(5)(a) requires that the water district have its audit completed within six months of the close of the district's fiscal year.

Condition: For the year ended December 31, 2004, the district's audit was not completed within six months of the close of its fiscal year.

Effect: Not determined.

Recommendation: I recommend that for all future fiscal years, the district have its audit completed by June 30th of the following year.

Management's Response: We will endeavor to get this done on time from this year forward.